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**BACKGROUND INFORMATION ON STATUS OF
AIRPORT AND AIRWAY TRUST FUND**

Present Law

The Airport and Airway Revenue Act of 1987 reauthorized for a three-year period the Airport and Airway Trust Fund and the excise taxes that are deposited into the Trust Fund to finance the authorized outlays. The Act also provided for a "tax reduction trigger" for 1990 if appropriations would be below a specified level.

Because outlays from the Trust Fund had not keep pace with the earmarked excise tax receipts and interest earnings on the trust fund surplus, the 1987 Act stipulated that, for fiscal years 1988 and 1989, if the sum of (1) the aggregate amounts obligated for airport improvements, and (2) the aggregate amounts appropriated for facilities and equipment, and research, engineering and development are less than 85 percent of the total amounts authorized to be obligated or appropriated for these programs for fiscal years 1988 and 1989, there is to be a 50-percent reduction in calendar year 1990 in the excise tax rates on--

- (a) air passengers, i.e., from 8 percent to 4 percent;
- (b) air freight, i.e., from 5 percent to 2.5 percent;
and
- (c) noncommercial aviation fuels, i.e., from 14 cents per gallon to 7 cents per gallon.

Furthermore, the additional 3-cents-per-gallon tax on aviation gasoline would be eliminated. (The \$3 per person international departure tax would not be reduced.)

Administration Trust Fund Tax Proposal

The President's fiscal year 1989 budget proposed repeal of the "tax reduction trigger" for the Airport and Airway Trust Fund excise taxes.

2862-25

Current Situation on Appropriations

Both the House of Representatives and the Senate have passed H.R. 4794, the fiscal year 1989 appropriations bill for the Department of Transportation, which includes the Federal Aviation Administration, and the bill has been sent to conference as of August 2, 1988. Table 1 which follows summarizes the actions of the House and the Senate with respect to obligations and appropriations for the three specific Trust Fund program areas for fiscal years 1988 and 1989.

Table 1.--Airport Trust Fund Authorizations and Appropriations, Fiscal years 1988 and 1989

<u>Trust fund program</u>	<u>Authorizations¹</u>		<u>Appropriation²</u>	
	<u>1988</u>	<u>1989</u>	<u>1988</u>	<u>1989</u>
Airport improvements (House)	1,700	1,700	1,269	1,310
(Senate)	1,700	1,700	1,269	1,225
Facilities and equipment (House)	1,377	1,730	1,108	1,486
(Senate)	1,377	1,730	1,063	1,129
Research, engineering and development (House)	201	215	153	160
(Senate)	201	215	153	160
Fiscal year totals (House)	3,278	3,645	2,530	2,956
(Senate)	3,278	3,645	2,530	2,678
Two-year totals (House)		6,923		5,486
(Senate)		6,923		5,208
Percentage of authorizations appropriated (House)		79.2		
(Senate)		75.2		

¹/ As authorized in the 1987 legislation (P.L. 100-223).

²/ In H.R. 4794, currently in conference.

CBO Trust Fund Projections

Table 2 below shows the Congressional Budget Office's estimates of Airport and Airway Trust Fund budget authority, outlays, and income, as well as the effects of the changes in these items on the Trust Fund balance. The estimates assume that the Trust Fund tax reduction trigger will go into effect on January 1, 1990. As a result, the Trust Fund cash balance declines at the end of fiscal years 1991, 1992 and 1993. The uncommitted Trust Fund balance declines in fiscal year 1990 and later years.

Table 2.--Airport and Airway Trust Fund Adjusted for CBO 1988 Baseline (August Update) Budget Authority, Outlays, Revenues and Interest Rates

(in millions)

<u>Fiscal year</u>	<u>Budget authority¹</u>	<u>Outlays²</u>	<u>Income³</u>	<u>End-of-year Trust Fund balance</u>	<u>End-of-year uncommitted balance</u>
1988	\$3,817	\$2,932	\$3,955	\$10,958	\$5,697
1989	3,920	3,265	4,556	12,249	6,333
1990	4,015	3,440	3,766	12,575	6,084
1991	4,211	3,636	3,189	12,128	5,062
1992	4,314	3,828	3,285	11,586	4,034
1993	4,495	4,019	3,328	10,894	2,866

SOURCE: Congressional Budget Office

¹ Budget authority includes obligational authority for the airport grants-in-aid program and appropriations for the airways facilities and equipment, and research and development programs.

² Outlays describes amounts spent from the Trust Fund for airport grants-in-aid, airways facilities and equipment, research and development, aviation weather services and other programs.

³ Income includes Trust Fund excise tax receipts and interest earned on the Trust Fund balance. Under the CBO assumption, the automatic tax reduction under the Airport and Airway Revenue Act of 1987 would go into effect on January 1, 1990.

Details may not add to totals due to rounding.